



OFFICE OF THE
City Auditor

Community and Recreation Facilities Cash Controls Audit

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The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Community and Recreation Facilities Cash Controls Audit

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Executive Summary

The Community and Recreation Facilities Branch (CRF) manages over 60 community facilities. It also offers a wide range of programs and services at these facilities that result in the collection and handling of large amounts of cash and the processing of other financial transactions. In 2013, the Branch received approximately \$49 million in user fees, program fees, permit fees, etc. through cash and electronic transactions. Cash handling is susceptible to loss and misappropriation and is considered a high risk area for the City. In response to this risk, the Office of the City Auditor conducted this audit of the design of cash handling controls and procedures at community and recreation facilities.

The objectives for this audit were to determine if CRF has appropriate controls and procedures in place to ensure the safeguarding of City money (cash and other financial products), as well as to determine if CRF is effectively managing promotional and social development programs. As part of this audit we also reviewed the *Handbook for the Handling of City Money* which is the responsibility of the Financial Services Branch.

Overall, we found that the design of CRF cash handling controls is adequate to ensure that City funds are not exposed to significant risks. However, we found the following areas for improvement:

1. The *Handbook for the Handling of City Money* is outdated and no longer aligns to the operations of CRF. This has resulted in CRF developing its own internal procedures that have not been reviewed and approved appropriately.
2. Surprise cash audits are not conducted periodically and process documentation is lacking. There is a risk that CRF staff members are not following established policies and procedures.
3. Some monitoring procedures can be enhanced to ensure staff members are following all procedures, controls are working as intended, and risks are mitigated.
4. Risk assessments are required in certain areas to ensure the City's risks are minimized and to potentially improve the effectiveness of certain processes and procedures.
5. A number of control weaknesses exist regarding ensuring the eligibility of people using promotional and social programs.

We made one recommendation to the Treasury Management Section to update and revise corporate cash handling and surprise cash audit policies and procedures. In addition, we made two recommendations to CRF. The first is to strengthen its monitoring processes. The second is to review the risks we identified relating to cash handling and program eligibility and determine if they require additional controls or to document the rationale for accepting the risk.

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Community and Recreation Facilities Cash Controls Audit

1. Introduction

The Community and Recreation Facilities (CRF) Branch provides a wide range of programs and services that result in the collection and handling of large amounts of cash and other financial products. Cash handling by its nature is susceptible to loss and misappropriation therefore, it is considered a high risk area for the City. It is important that the processes for handling cash are well designed and have the appropriate controls in place. In response to this risk, the Office of the City Auditor conducted this audit of the design of cash handling controls and procedures at community and recreation facilities.

2. Background

CRF manages over 60 community facilities and numerous programs. Appendix A provides a full listing of the City's community and recreation facilities. In 2013, there were approximately seven million visits to City facilities generating approximately \$49 million in revenue.

The work of CRF is delivered by the following eight business sections:

- Business Development
- Programs and Events, and Kinsmen Sports Centre
- Commonwealth Community Recreation Centre, Commonwealth Stadium, and Arenas
- Leisure Centres
- Edmonton Valley Zoo and Specialty Facilities
- River Valley and Horticulture
- Civic Events and Partnerships
- Terwillegar, Clareview, and the Meadow Community Recreation Centres

The Business Development Section carries out many of the activities related to the handling of City money. This Section is responsible for:

- Cashier and customer services at the front counters of facilities;
- Facility bookings and rentals;
- Liaison with various sport users including user committees;
- High touch booking services (involving personal attention and service) at various facilities and attractions;
- Program registrations at facilities;
- Management of promotional and social development programs, and;
- Brokering new revenue opportunities through advertising sales and sponsorship.

The Section also develops business analytics that assist CRF in developing strategies and reviewing business cases related to new projects or opportunities.

Business Development staff members are responsible for the daily counting, processing, and depositing of all cash collected and received at community and recreation facilities. Staff are required to adhere to Administrative Directive A1200B *Handling of City Money*, its accompanying procedures and its related *Handbook for the Handling of City Money* (Handbook). These documents establish the corporate standard for the handling of City money and support consistent practices across the Corporation.

3. Results of Risk Assessment

During the planning phase of this audit we conducted a risk assessment of the Business Development Section. As discussed earlier, the Section provides a wide range of programs and services, which result in the collection and handling of significant amounts of City money – including cash. We identified potential risk in the design and compliance of controls related to the handling of City money at community and recreation facilities.

One of the major controls in place for the handling of City money is the Handbook. The Treasury Management Section of the Financial Services Branch in the Financial Services and Utilities Department is responsible for the Handbook. Treasury Management has not updated the Handbook since 2007 (this is discussed in Section 5.1.2 of this report). Treasury Management is also responsible for conducting surprise audits to ensure City staff members are complying with the Handbook. Therefore we decided to focus our audit on the designs of controls rather than on compliance.

Another risk area we identified was the management of promotional and social development programs. The Business Development Section manages a variety of these programs and initiatives. The three main programs are:

- The Corporate Wellness Program;
- The Community League Wellness Program; and
- The Leisure Access Pass Program.

4. Audit Objectives and Scope

The objectives of this audit were to determine:

- If CRF has appropriate controls and procedures in place to ensure the safeguarding of City money, and
- If CRF is effectively managing promotional and social development programs.

City money includes cash, cheques, credit cards, debit cards, and monetary inventory products (e.g., passes, coupons, gift certificates, etc.).

This audit included all facilities that fall under the responsibility of the Business Development Section of the CRF Branch (See Appendix A). This included procedures and promotional programs in place at these facilities from January to June 2014.

5. Observations and Recommendations

5.1. Handling of City Money

5.1.1. Roles and responsibilities

Controls related to the handling of money within CRF are the joint responsibility of all management and staff. This includes staff from individual facilities along with staff of the Business Development Section.

Treasury Management is responsible for the maintenance of the corporate money handling policies and procedures, including updating the procedures and Handbook. According to Administrative Procedures A1200B *Handling of City Money*, Treasury Management is also responsible for reviewing and approving any department-specific money handling instructions.

Treasury Management as well as the Office of the City Auditor may conduct audits or tests at any time without notice to assess compliance with the Administrative Directive and Procedure A1200B, the Handbook, and any department-specific money handling instructions. However, there is no obligation to undertake these audits or tests.

Finally, the Corporate Security Section of the Law Branch in the Corporate Services Department may conduct security audits of cash sites and investigate security breaches as required.

5.1.2. Handbook for the Handling of City Money

We observed that specific content contained in the Handbook no longer aligns to the operations of the CRF Branch. In addition, a number of corporate business practices have changed since Treasury Management last updated the Handbook in 2007.

The Handbook is currently a combination of policy (i.e., statement of intent), process (i.e., what is to be done) and procedures (i.e., how to do it) that are applicable to the whole Corporation. Business Development management has expressed concern that the current Handbook does not distinguish between different organizational units and their specific business models. For example, procedures that work well for cash sites in the Edmonton Transit Branch may not work for cash sites in CRF and vice versa.

The out-of-date and incompatible procedures have resulted in Business Development developing its own internal procedures to serve as a compensating control or replace sections of the Handbook. These include:

- Cash area security protocols.
- A counterfeit currency procedure.

- Bank deposit/coin pickup procedures.
- An inventory process for shared inventory of facility passes. The Handbook currently only contains a procedure for individual custody of facility passes.
- A process for controlling shared cashier floats. The Handbook currently only contains a procedure for individual cashier floats.

There was no evidence that Treasury Management reviewed and approved these procedures as required by Administrative Procedure A1200B. However, we were informed that Treasury Management was consulted during the development of several of these procedures. In addition, Business Development has created and implemented a number of logs, checklists, and forms to complement the Handbook or address perceived control weaknesses.

Finally, cashiers at community and recreation facilities are required by Administrative Directive A1200B to sign an acknowledgement form indicating their agreement to comply with the Handbook on an annual basis. However, this acknowledgement indicates that the cashier is accountable for procedures that are outside the scope of his or her authority.

See Recommendation 1

5.1.3. Surprise cash audits

Administrative Procedure A1200B states that Treasury Management and/or the Office of the City Auditor “may conduct audits or tests at any time and without notice to assess compliance with Directive, Handbook and department-specific money handling instructions.” Surprise audits can uncover irregularities, control weaknesses, and fraud. They also serve as a deterrent when done periodically. When surprise audits are not done periodically, there is an opportunity for employees, unknowingly and for a variety of reasons, to deviate from established policies and procedures.

We found that Business Development management is relying on Treasury Management to conduct surprise cash audits and provide assurance that CRF staff are complying with the Handbook. However, as previously mentioned, Treasury Management is not obligated to conduct site visits. Therefore they cannot provide this assurance. In addition, the Directive does not specify how often a surprise cash audits must be done at each cash site (e.g., whether each cash site must be audited at least once every two years).

At the beginning of 2014, Treasury Management conducted 13 surprise cash audits of community and recreation facilities. They identified a number of compliance issues that CRF is currently addressing. For most sites this was the first surprise audit of money handling procedures in at least five years.

We found that Treasury Management has not consistently reported their findings from the audits to Business Development management. This may be because Treasury Management has not documented its reporting and communication procedures. This

has led to unclear communication with CRF staff and management and has made it difficult for them to implement required changes.

Recommendation 1 – Updating of Money Handling Procedures

The OCA recommends that the Director of Treasury Management review and revise the following documentation:

- Administrative Directive & Procedure A1200A *Handling of City Money* and the *Handbook for the Handling of City Money*. This update should include an assessment of the current structure of corporate standards and procedures for the handling of City money.
- Surprise cash audit process and procedures documentation (including reporting and communication procedures).

Management Response and Action Plan

Accepted

Comments:

Handbook for Handling of City Money

An initiative to update the *Handbook for the Handling of City Money* is underway. Significant work in updating the Handbook was achieved. A supplement to the Handbook titled “Protection of Credit Card Data” on PCI requirements was implemented on November 8, 2011 and it was further updated for implementation on September 17, 2013. Update of the remainder of the Handbook was put on hold in late 2013 due to a focus on other priorities including the PCI Compliance Project. In addition there was a staffing shortage due to retirement of the resource working on the Handbook update.

The revised Handbook will be completed during 2015 and will be business process driven with a general section on cash handling processes and procedures that apply to all cash sites. Areas with specific requirements and business needs will be addressed by appendices.

Planned Implementation Date: Q4 2015

Responsible Party: Director, Treasury Management, Financial Services Branch

To Close: Revised Handbook approved by Director, Treasury Management and uploaded on onecity Intranet.

Surprise Cash Audit

From January to September of 2014, the Cash Consulting unit of Treasury Management has conducted a total of 51 surprise and planned site visits, 35 of which involved the review of cash handling procedures with 17 of them in Community Services and the remaining 16 were for the PCI Compliance Project implementation. In 2014, we have developed standardized procedural checklists and a formal Site Report for documenting and communicating site visit and surprise cash audit results

with a requirement for management response and action plan. In Q4 of 2014, we will complete documentation on the Process and final procedures for surprise and planned site visits. The 2015 risk based work plan for the unit will include a strategy for all cash sites having a surprise or planned review at least once over a two to three year cycle depending on their risk assessment.

Planned Implementation Date: December 31, 2014

Responsible Party: Director, Treasury Management, Financial Services Branch

To Close: Approval of the Process and Procedures for Site Visits by Director for use in site visits in 2015.

5.2. Monitoring Procedures

Controls will not achieve significant risk mitigation unless they are implemented and followed. Therefore, it is important to have proper monitoring procedures in place to help ensure staff members are following procedures and that controls are working as intended. In addition, monitoring helps ensure individuals and business areas do not become complacent with following policies and procedures.

Monitoring of the handling of City money at recreation and community facilities is occurring at four different levels:

1. Supervisors are monitoring the activities of the cashiers on a daily/weekly basis to confirm activities are conducted in accordance with established procedures.
2. Team Leads are monitoring cashier activities at an aggregate level and monitoring the activities of cashier supervisors.
3. Management is monitoring the overall activity of cashiers and cash sites.
4. Outside parties, such as Treasury Management and Corporate Security, are conducting surprise cash audits and security audits.

We found that Business Development could enhance its monitoring practices in the following areas:

Team Lead site checks

Team Leads are responsible for overseeing three or four facilities. In addition to other on-site monitoring activities, they perform monthly site performance checks at each facility they oversee. These site checks include verifying that cashiers are adhering to security procedures, completing log books correctly, and carrying out their duties properly. While there is a checklist for Team Leads to complete, they do not have a documented procedure to follow that would help ensure Team Leads are performing the site checks consistently. Team Leads could also enhance the effectiveness of these site checks by inspecting facilities other than their own. This would enhance the objectivity of the monitoring.

Management review

One of the monitoring activities performed by Business Development management is the quarterly review of cashier transactions and overages and shortages. They use this information to try to identify any anomalies and to look for potential areas where additional training may be required (i.e., if a cashier is continually processing more voids or refund transactions). However, we found that documentation of the process (i.e., what is to be done) and the procedures (i.e., how to do it) is lacking. Documenting these processes and procedures is important because it provides operational guidance, acts as training material, and staff can use it to continuously improve processes. Additionally, implementing specific and consistent procedures to track trends over time would improve the effectiveness of this control.

Recommendation 2 – CRF Monitoring Procedures

OCA recommends that the Director of Business Development enhance the management review of quarterly reports (for example: track trends over time by cashier) and the Team Leads site visits (for example: Requirement for Team Leads to review sites other than their own).

Management Response and Action Plan

Accepted

Comments:

Supervisor of Admissions and Customer Service will use the quarterly reports to track trends over time by cashier and rotate the Team Leads site visits to evaluate sites other than their own.

Planned Implementation Date: April 1, 2015

Responsible Party: Director, Business Development, Community and Recreation Facilities Branch

5.3. Money Handling and Program Controls

5.3.1. Review of money handling controls

Our review of CRF money handling procedures did not reveal any critical control deficiencies in the design of money handling controls. The controls provide an adequate level of safeguarding for these City's assets.

Although existing controls are adequate, we found the following areas where there is the potential to reduce some of the remaining risk. Business Development would need to conduct a formal risk assessment to determine if additional controls are necessary or if the risk is acceptable. When assessing the risk, management will need to consider both the financial risk and the impact of additional controls on customer service.

See Recommendation 3

Cash refunds

Cashiers can issue refunds based on the customer's original payment method. For example, if the customer paid by cash, cashiers issue a cash refund (up to \$20 per transaction). Cash refunds are a part of CRF overall customer service strategy. In providing cash refunds there is a risk that staff members will give inappropriate refunds which could lead to decreased revenues.

Business Development has a number of controls in place to mitigate this risk including the use of a refund book to record the customer's details and reasons for refunds. Supervisors review this refund book on a regular basis. In addition, on a quarterly basis, management reviews the number of refunds given out by staff members.

There are potential enhancements to these controls that Business Development could implement to better mitigate this risk. These could include: requiring the cashier supervisor or another cashier to sign-off on refunds, offering alternative forms of refunds such as credits on account, gift cards, or guest recovery passes, or having supervisors perform spot checks to confirm that the client actually received a refund.

Guest recovery passes

Cashiers, instructors, and program managers can provide guest recovery passes when there is a service concern such as a class cancellation or pool evacuation. They are used as part of an overall customer service strategy and are kept on each site in a secure location. There is a risk that staff members will issue passes inappropriately which could lead to decreased revenues.

CRF has a number of controls in place to mitigate this risk including the use of a control log and reconciling the control log to the remaining passes. There may be additional controls that could be implemented to better mitigate the risk of a staff member inappropriately issuing guest recovery passes. These controls include formally documenting and informing staff of the guidelines for using guest recovery passes, as well as capturing additional information in the log to allow supervisors to perform spot checks to confirm that the customers actually received a pass.

End of day close out procedures

There are a number of community and recreation facilities where there is only one cashier on duty at the end of the day. Business Development management has indicated that it is not always possible or cost-effective to implement dual custody at these facilities. Dual custody means that two or more unrelated individuals are present whenever a critical cash handling task is taking place. The lack of dual custody increases the risk for robbery and theft, as well as the risks of fraud or errors. In addition, if loss does occur, the cash handler is less protected from unwarranted suspicion.

The Handbook currently requires that a supervisor verifies deposits in the presence of the cashier. However, the Handbook recognizes there may be resource constraints and allows for the end-of-day cashier to drop the deposit in the safe with no verification.

Under this process, if there is a discrepancy, it cannot be detected until the deposit is processed at the bank. However, there are compensating controls in place for a number of the affected locations, such as remote monitoring technology, next-day processes, or a policy where the facility no longer accepts cash transactions.

Business Development management has indicated that for sites where dual custody and remote monitoring technology are not an option, the risks are limited as these sites have relatively low cash transactions. However, there has not been a formal risk assessment to confirm this risk exposure to support this claim. Completing a risk assessment and documenting the results would provide the information necessary to determine if the risk is acceptable or if additional compensating controls should be implemented.

Price overrides

Cashiers can process price overrides (i.e., charge more or less than the posted price) for program admissions (e.g., children's swimming lessons) but not general admission (e.g., child admission for public swim). There is a risk that cashiers can inappropriately change the price of program admissions. Team Leads currently do not utilize a report to monitor the number of times cashiers are processing price overrides. By implementing a monitoring process to disclose unauthorized price overrides, the risk of inappropriate price changes can be mitigated.

Documentation

Business Development has a Cashier Reference Manual to complement the Handbook. It contains policies, procedures, and processes specifically applicable to CRF. Neither the Handbook nor the Cashier Reference Manual contains adequate procedures on:

- Collecting and recording cash from coin lockers; and
- Selling, activating, and accepting payments with gift cards.

Since documented policies and procedures help to ensure processes are performed in a consistent way, there is a risk that these activities are being performed inconsistently or inappropriately.

Discussions with Business Development staff and management confirmed that there are appropriate procedures in place for coin lockers and gift cards (e.g., dual custody is required when coin lockers are emptied). These have been verbally communicated to staff. However, as a result of the lack of properly documented procedures, the risk remains that these activities are being performed inconsistently or incorrectly.

We have made a recommendation in this report to address the remaining risk issues identified above. (**Recommendation 3**)

5.3.2. Review of promotional and social programs

Business Development manages a number of promotional and social development programs aimed at increasing attendance and revenue at community and recreation

facilities. The second objective of this audit was to determine if CRF is effectively managing these programs.

The three main programs are:

1. *The Corporate Wellness Program* – This program gives participants a 20 percent discount on annual and continuous monthly membership passes and a 15 percent discount on multi-admission passes. In 2013, over 1,150 companies participated in the Program and over 61,000 passes were purchased for a total of \$4.5 million.
2. *The Community League Wellness Program* – This program gives community league members a 10 percent discount on all types of passes. In 2013, approximately 10,800 passes were purchased for a total of \$920,000.
3. *The Leisure Access Program (LAP)* – This program gives eligible low-income Edmontonians free use of City of Edmonton recreation facilities and attractions, and discounts on registered programs for one year. In 2013, approximately 30,000 LAP passes were issued and \$460,000 in program discounts was provided. On average the passes were used 14 times for a total of 415,000 scans.

To determine if Business Development is effectively managing these programs, we assessed how it ensures that only eligible people are able to utilize these programs. We applied four criteria to assess these programs and a number of smaller initiatives. A summary of the results is presented in Table 1.

Table 1: Summary of Program Assessment Results

Assessed Criteria	Corporate Wellness Program	Community League Wellness Program	Leisure Access Program	COE Employee Discount [^]	Various Discount Coupons ^{^^}
Eligibility criteria are explicit and well-defined	✓	✓	✓	✓	✓
Assessment and approval processes are clearly established, documented, and communicated to applicants	✓	✓	✓	✓	✓
Eligibility controls are in place	Partial	Partial	Partial	Partial	✓
Independent checks are conducted	x	x	x	x	n/a

[^] Excluding the payroll deduction program.

^{^^} For example: Student Union Ticket Package for recreation centres or attractions, Sport for Life coupons, Birthday Party coupons, Telus Lemur promotion, family fun sampler pass.

Overall, we found that eligibility criteria are explicit and well-defined in the program documentation that is publicly available. In addition, processes for applying for programs and the assessment of applications are clearly established, documented, and communicated to applicants.

However, in four of the five programs we assessed, we found that the controls to ensure the eligibility of people utilizing the programs could be strengthened. We identified the following remaining risks:

- There is a risk that people using continuous monthly membership passes¹ under the Corporate Wellness Program, the Community League Wellness Program, and the City of Edmonton Employee Discount Program could continue to receive program discounts even if they are no longer eligible (e.g., they are no longer members of a community league). This is because Business Development has not clearly established and documented a re-assessment process to ensure these participants are still eligible for the program discounts.
- Birth dates of continuous monthly pass holders are not electronically recorded. This relates to both general admission passes as well as passes issued under one of the available discount programs. As such, there is no automatic adjustment to continuous monthly memberships rates when participants age from child to youth, youth to adult, or adult to senior. There is a risk that people could continue to receive age discounts even if they are no longer eligible. There is also a risk that they may not be automatically provided with a senior's discount. Business Development management indicated birth dates are not recorded due to Freedom of Information and Protection of Privacy (FOIP) regulations.
- In an effort to avoid barriers to LAP participation, photocopied documents to prove eligibility are accepted. As photocopied text documents are easy to alter, there is a risk of fraud by applicants.

Finally, it was determined that checks are not conducted to verify the information provided by participants. Independent checks can consume considerable resources, so the cost outweighing the benefit is a consideration. A formal risk assessment can help determine if the risk is acceptable or if independent checks may be warranted.

Recommendation 3 – Additional Control Review

The OCA recommends that the Director of Business Development review the risks relating to the following areas and implement additional controls or document the rationale for accepting the risk(s).

- Cash refunds
- Guest recovery passes
- End of day close-out procedures
- Price overrides by cashiers
- Process documentation for coin lockers and gift cards
- Continuous monthly memberships (re-assessment and automatic adjustment)
- Discount program eligibility

¹ The continuous monthly membership passes allows holders to pay for an ongoing monthly membership pass via automatic monthly withdrawals from their bank account. Continuous monthly membership passes are available for general admission as well as in combination with the Corporate Wellness Program, Community League Wellness Program, and City of Employee Wellness Program.

Management Response and Action Plan**Accepted****Comments:****Money Handling Controls**

Supervisor of Admissions and Customer Service will:

- Require a cashier supervisor or another cashier to sign-off on refunds, offer alternative forms of refunds such as gift cards, or guest recovery passes, and have supervisors perform spot checks to confirm that the client actually received a refund.
- Formally document and inform staff of the guidelines for using guest recovery passes, and capture additional information in the log so supervisors can perform spot checks to confirm that the customers actually received a pass.
- Formally review the risks where dual custody and remote monitoring technology are not an option at a cash site for end of day cash out.
- Explore with IT the possibility of running a report on unauthorized price overrides.
- Update the Cashier Reference Manual procedures on collecting and recording cash from coin lockers; and selling, activating, and accepting payments with gift cards.
- Review with the FOIP coordinators to determine if recording birth dates is allowed and then work with IT to see if the system will permit this change.
- No longer allow photocopied documents to be accepted for LAP applications.

Planned Implementation Date: April 1, 2015

Responsible Party: Director, Business Development, Community and Recreation Facilities Branch

Discount Program Eligibility

In an effort to ensure members who are benefitting from discounts offered through the Corporate and Community League Wellness Programs continue to qualify for the discounts, Business Development will explore the following:

Corporate Wellness Program

- Explore the feasibility of generating a participation report from a sample of Corporate Wellness companies to assess the appropriateness of the participants and then contact any members who are no longer eligible for the discount.
- Based on the results of this judgmental sample further follow up may be required.

Community League Wellness Program

- Business Development will explore meeting with the Edmonton Federation of Community Leagues (EFCL) to determine an appropriate way of confirming

active membership in a judgmental sample.

- Based on the results of this judgmental sample further follow up may be required.

Planned Implementation Date: April 1, 2015

Responsible Party: Director, Business Development, Community and Recreation Facilities Branch

6. Continuous Improvements

Business Development has implemented or is in the process of implementing a number of operational changes to improve and strengthen its processes and controls. Changes to the daily reconciliation process, handling of cash overages and shortages, and the implementation of barcoded passes are examples of initiatives undertaken by the Section.

Daily reconciliation process

Controls are in place to ensure cash sales are balanced and deposited on a timely basis, including a daily reconciliation process. Business Development has researched the option of implementing a blind reconciliation process. The blind reconciliation process requires cashiers to first count out the day's payments, record their counted amount in the system, and then print a daily balancing report. The advantage of a blind reconciliation is that it removes the opportunity for the cashier completing the reconciliation to adjust amounts to balance. For example, if the cashier knows that there is \$527.83 of cash expected, they can easily pocket any overage and leave no paper trail. Blind reconciliation mitigates this risk. The assessment by Business Development determined that blind reconciliation it is not technically possible with the existing system. However, Business Development management indicated that blind reconciliation will be included as a requirement for a future system replacement. The request for proposal for a system replacement is currently being developed. In the meantime, Business Development is implementing a process to replace the paper-based daily reconciliation. The new process eliminates calculation errors and allows for easier review.

Shortages and overages

While shortages and overages are a normal part of operations in any cash-handling environment, procedures to monitor and manage this activity should be clearly and uniformly established. Consistent tracking of overages and shortages establishes a history of cash handling irregularities. Information about overages or shortages helps to identify where additional training or other corrective action may be needed. The Handbook provides procedures for reporting overages or shortages in excess of \$10. Business Development has implemented additional procedures to ensure all cash shortages/overages are identified and analyzed to determine if corrective action is necessary.

Bar-coded passes

Business Development recently implemented a new system for creating and managing facility access passes. The new passes are bar-coded and printed by Business Development on demand. Currently there are four types of passes produced: general admission passes, birthday party promotional coupons, donation passes, and guest recovery passes. Our review of this new system identified a number of opportunities to improve controls. As opportunities were identified, Business Development adapted their processes. As a result, passes are now properly authorized, accounted for, documented, and identifiable.

Monitoring controls are relatively untested as this is an immature process and has not completed a full calendar cycle at this time. Business Development has proposed and is implementing a number of reports and reconciliation activities to address identified risks. These will need to be tested through a full calendar cycle.

Community and recreation facilities are currently in the process of phasing out general admission passes for purchase. This activity has the potential to reduce the inventory and distribution risks associated with large volumes of paper passes and increases the process efficiency by reducing the number of monetary inventory products for cashiers to manage. The general admission passes for purchase will be replaced with a gift card option.

7. Conclusions

The comments and recommendations contained within this audit are intended to call attention to those areas where potential for improvement exists and where risks can be mitigated.

The first objective of this audit was to determine if CRF has appropriate controls and procedures in place to ensure the safeguarding of City money. Our review of CRF cash handling procedures did not identify any critical control deficiencies in the design of cash handling controls. The controls provide an adequate level of safeguarding for the City's assets. While adequate, we identified opportunities to enhance several procedures and controls to minimize the City's risks and improve the effectiveness of certain processes and procedures.

The second objective of this audit was to determine if CRF is effectively managing promotional and social development programs. Again, our review did not reveal any critical control deficiencies in the management of programs. However, we identified opportunities to improve controls to ensure participants meet eligibility criteria and minimize the risks of program abuse.

We made three recommendations to address the risks we observed. The recommendations relate to: updating and revising corporate cash handling and surprise cash audit policies and procedures, enhancing specific monitoring processes, and

reviewing the risks relating to cash handling and program eligibility to determine if additional controls are needed or to document the rationale for accepting the risk.

We want to thank the management and staff of the Business Development Section of the Community and Recreation Facilities Branch who shared their time and knowledge with us during this review.

Appendix A: List of City of Edmonton Facilities

City Community and Recreation Facilities

Facilities under the responsibility of Business Development Section:

Attractions

- Valley Zoo
- John Janzen Nature Centre
- John Walter Museum
- Muttart Conservatory
- Heritage Amphitheatre
- Prince of Wales Armouries Heritage Centre

Sports Centres

- Commonwealth Stadium and Fitness Centre / Joe Clarke Athletic Grounds
- Kinsmen Sports Centre
- St. Francis Xavier Sports Centre

Community Leisure and Recreation Centres

- ACT Aquatic and Recreation Centre
- Bonnie Doon Leisure Centre
- Confederation Leisure Centre
- Commonwealth Community Recreation Centre
- Eastglen Leisure Centre
- Grand Trunk Fitness and Leisure Centre
- Hardisty Fitness and Leisure Centre
- Jasper Place Fitness and Leisure Centre
- Londonderry Fitness and Leisure Centre
- Mill Woods Recreation Centre
- O'Leary Fitness and Leisure Centre
- Peter Hemingway Fitness and Leisure Centre
- Terwillegar Community Recreation Centre
- Meadows Community Recreation Centre (2014)
- Clareview Community Recreation Centre (2014)

Outdoor Swimming Pools

- Borden Park
- Fred Broadstock
- Mill Creek
- Oliver
- Queen Elizabeth

Municipal Golf Courses & Driving Ranges

- Riverside Golf Course
- Rundle Golf Course
- Victoria Golf Course and Driving Range

Municipal Arenas

- Bill Hunter Arena
- Callingwood Arena (Twin Pad)
- Castledowns Arena (Twin Pad)
- Clareview Arena (Twin Pad)
- Confederation Arena
- Coronation Arena
- Crestwood Arena
- Donnan Arena
- George S. Hughes South Side Arena
- Glengarry Arena
- Grand Trunk Arena
- Kenilworth Arena
- Londonderry Arena
- Michael Cameron Arena
- Mill Woods Arena (Twin Pad)
- Oliver Arena
- Russ Barnes Arena
- Tipton Arena
- Westwood Arena
- Terwillegar Arena (Four Pad)
- Meadows Arena (Twin Pad) (2014)

Facilities that do **not** fall under the responsibility of Business Development Section:

Municipal Cemeteries

- Beechmount Cemetery
- Clover Bar Cemetery
- Edmonton Cemetery
- Little Mountain Cemetery
- Mount Pleasant Cemetery
- Northern Lights Cemetery
- South Haven Cemetery
- Traditional Burial Grounds

Seniors Centres

- Central Lions Senior Citizens Recreation Centre
- Northgate Lions Senior Citizens Recreation Centre

Other

- City Archives
- City Arts Centre
- City Artifacts Centre
- Jasper Place Annex